

15-649 CZYZEWSKI V. JEVIC HOLDING CORP.

DECISION BELOW: 787 F.3d 173

LOWER COURT CASE NUMBER: 14-1465

QUESTION PRESENTED:

Section 507 of the Bankruptcy Code grants payment priority to some unsecured claims, including claims for certain wages and employee benefits earned before the bankruptcy filing. 11 U.S.C. § 507(a)(4), (5). Such priority claims must be paid in full before other unsecured claims may be paid from estate assets. The debtor in this chapter 11 case agreed to settle a cause of action belonging to the estate. Rather than distributing the settlement proceeds under a confirmed plan of reorganization, the debtor then sought a "structured dismissal" of the bankruptcy case. The dismissal order provided that the settlement proceeds would be paid to general unsecured creditors, rather than to petitioners, former employees of the debtor whose claims have priority over those of general unsecured creditors under § 507(a)(4) and (5).

The question presented, on which the courts of appeals are divided, is:

Whether a bankruptcy court may authorize the distribution of settlement proceeds in a manner that violates the statutory priority scheme.

CERT. GRANTED 6/28/2016